

Maritime Cabotage Task Force

# ANNUAL REPORT

Marking 10 Years of Leadership

# 2004

The background of the cover is a photograph taken from the deck of a ship, looking out over the ocean. The water is a deep blue with white, frothy wake from the ship's movement. In the center, an American flag flies from a tall mast. The ship's deck is visible in the foreground, showing railings and some equipment. The overall tone is patriotic and maritime.

**“The United States needs a maritime policy tailored to 21<sup>st</sup> century needs. Programs that have contributed to the growth of our domestic fleet, such as the Jones Act ... should be maintained.”**

— President George W. Bush



## 10<sup>TH</sup> ANNUAL CHAIRMAN'S LETTER

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Dear Friends:

On September 27, 1995, about 40 officials from the American maritime industry gathered in a conference room at the Army-Navy Club in downtown Washington, D.C. The purpose of that meeting was to discuss a unified industry effort to respond to the most aggressive challenge to the Jones Act ever.

It was not a happy time for our industry. The maritime trade press was filled with headlines attacking the cabotage laws. Our industry response was uncoordinated and ineffective. A quotable, brash former Federal Maritime Commissioner named Rob Quartel was dominating the news media and Members of Congress were actively discussing the possibility of significant changes to America's most venerable maritime laws.

The Maritime Cabotage Task Force (MCTF) was born that day at the Army-Navy Club in the face of unprecedented attacks, and today, a decade later, can rightly claim having played a significant role in beating back those attacks. Rob Quartel's Jones Act Reform Coalition, MCTF's primary adversary, is long gone. News stories about the demise of the Jones Act have all but disappeared. Ironically, Rep. Nick Smith, who sponsored many of the Jones Act repeal bills, retired at the end of the 108th Congress.

But the American domestic maritime industry has emerged from this test stronger than ever.

I think the greatest lesson from the battles of the mid-to-late 1990's is the importance of a proactive initiative to tell our story and educate key federal decision-makers. Because of the MCTF's efforts, the Congress and the Executive Branch today have a far better understanding of the importance of America's domestic maritime industry:

- About the important role it plays in national security. Our domestic maritime infrastructure - vessels, yards and seafarers - makes a critical contribution to sealift in times of crisis;
- About the important economic benefits of our domestic fleet. With 39,000-plus vessels employing thousands of American seafarers, our fleet is the envy of the world;
- About the commercial benefits of the Jones Act fleet. Maritime transportation is, by far, the least expensive and most environmentally sound way for shippers to move goods domestically, and makes the most sense from a "least congestion" transportation mode standpoint.



#### Maritime Cabotage Task Force Board

Standing, from left to right: Jim Weakley, Jim Henry, Ed Welch, Frank Pecquex, Bob Zuckerman, Jim Rausch

Seated, from left to right: Charles Crangle, Phil Grill, Alan Butchman, Tom Allegretti

Not pictured: Allen Walker, Chuck Raymond and Michael Roberts

We also learned that if our industry comes together as one, in an organization like the MCTF, we will be stronger and more effective than if we fight these battles individually. A list of some of the top accomplishments of the MCTF since its founding in 1995 can be found in this annual report. By any measure, it's an impressive record.

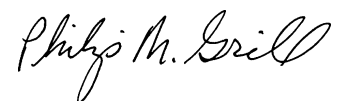
Of course, this fight is not over. Each year we face new challenges and opportunities. This year alone we worked to close a loophole in the lease financing laws, protected the cabotage laws from fierce attacks in the U.S.-Panama free trade agreement (potentially setting the precedent of changing the cabotage laws through international trade agreements), worked to prevent potentially significant changes in the national maritime policy statement in federal law, and helped develop a strong maritime statement for the Bush/Cheney campaign.

It has been a memorable decade, and I have been proud to serve as the MCTF chairman for those 10 years. I am proud of what we have accomplished and pleased that Del. Robert Underwood (D-Guam) once referred to us as "probably the best-organized and broadest coalition of interests in Washington." I am grateful for all of the efforts of MCTF members and Board members past and present.

Most of all, I appreciate the strong support of so many Presidents, Members of Congress, Congressional staff, and Administration officials who have done so much to support our nation's cabotage laws. Their contributions to the national and commercial strength of our nation is incalculable, and we appreciate all they have done.

Thank you for the past decade and I hope you will join us for continued success.

Sincerely,



Philip M. Grill  
Chairman

# MCTF: A DECADE OF

The Maritime Cabotage Task Force (MCTF), among the most successful organizations in the history of the industry, has accomplished much in protecting the cabotage laws over the past decade. Among those accomplishments are the following:

## CAMPAIGNING FOR THE INDUSTRY

- Played a key role in securing the first Bush/Cheney campaign statement in support of the Jones Act - the first public position of the Bush Administration on the cabotage laws.

## COVERING THE EXECUTIVE BRANCH

- Educated the Department of Defense (DOD) on the national security role played by the domestic fleet for vessels, manpower, and infrastructure through its reports, gaining public support from DOD for cabotage laws
- Worked to block a request from the Government of Panama to alter a broad range of U.S. cabotage requirements through a free trade agreement (FTA)
- Cooperated with the Maritime Administration to change the way it counts the U.S.-flag fleet, eliminating opponents' ability to cite declining numbers of self-propelled vessels as evidence of the failure of the Jones Act
- Neutralized anti-Jones Act findings of the U.S. International Trade Commission's bi-annual reports on restraints on imported services
- Encouraged the U.S. Coast Guard to undertake a rulemaking on the issue of vessel lease financing as a step toward closing the loophole in the ownership provision of the cabotage laws

## DEMONSTRATING ORGANIZATIONAL STRENGTH

- Established the MCTF as a force to be reckoned with on issues of domestic marine transportation. Acknowledged by even its opponents as the "best organized and broadest coalition of interests in Washington"
- Developed the most comprehensive resource base on the Jones Act and cabotage through both an internal resource library and an internet web site
- Created a positive environment for the future of the Jones Act, thereby fostering the climate necessary to encourage billions of dollars in new vessel construction for operation in the Jones Act trades
- Served as an active voice in support of the U.S.-flag domestic fleet and cabotage on the Hill and in public forums across the country through numerous appearances before congressional committees and through an active, nationwide speakers bureau
- Provided a single voice of the industry on Capitol Hill and in federal intergovernmental battles
- In concert with the U.S. Maritime Coalition, stymied efforts by Australian shipbuilders to obtain repeal of the U.S. build requirement, encouraging the Australians to enter into joint ventures with U.S. shipyards

The days of "lift that bale" are long gone. Loading and discharging containers is a science that requires careful preparation.



# ACCOMPLISHMENT



## LEGISLATIVE VICTORIES

- Prevented the enactment of any of the more than 20 anti-cabotage bills introduced since 1995
- Coordinated and led the successful effort to obtain majority support for a bipartisan, pro-Jones Act resolution, H.Con.Res.65, in the House of Representatives, with 242 Members signing on as co-sponsors
- Identified and successfully opposed a provision in the 1996 Coast Guard Authorization Act that would have eliminated the U.S. build requirement for lease financed vessels
- Blocked an effort to recast the national maritime policy in federal law as one encouraging U.S. owned and operated vessels only "insofar as practical"
- Beat back the kaolin clay producers, who aggressively sought a Jones Act waiver to move their product
- Blocked an all-out effort by North Carolina hog farmers and others to waive the Jones Act for the transport of feed grain products
- Blocked Senate legislation that would have repealed the Passenger Vessel Services Act, prevented legislation to designate Panama as a "distant foreign port," and worked to establish an acceptable system of administrative waivers for small passenger vessels



The tugboat, towboat and barge industry, which comprises the largest segment of the U.S. domestic fleet, moves approximately 70 billion gallons of petroleum each year. Much of that moves in state-of-the-art articulated tug and barge units (AT/Bs) as shown, in which tugs fit tightly into a specially designed notch in the barge's stern, improving efficiency in towing on the open seas by providing greater steering, speed, and weather reliability.

## MANAGING

## PUBLIC PERCEPTION

- Reversed the anti-Jones Act focus of the trade press that existed in 1995; the trade press now generally accepts the Jones Act and related cabotage laws as core elements of U.S. maritime policy
- Created a positive image of the U.S.-flag domestic fleet as a growing, highly productive means of transportation through reports and associated media activity



The Fast Vehicle Ferry (FVF) FAIRWEATHER is the newest ferry serving the people of Alaska. U.S.-flag passenger ships and ferries transport more than 130 million people annually.

## CONTRIBUTIONS TO WAR EFFORT CONTINUE TO GROW

Jones Act seafarers, ships and related maritime infrastructure remained actively involved in the war on terrorism in 2004. In fact, since the liberation of Iraq began, more than 7,000 American seamen have served on the 130 U.S.-flag ships recruited to supply our ground forces in Iraq and the surrounding region.

The importance of the Jones Act to maintaining a pool of skilled mariners, U.S.-flag vessels and shipyards to build and maintain the fleet, cannot be overstated. Consider the following:

- The Jones Act fleet represents more than 80% of U.S.-flag tankers ... 50% of all U.S.-flag roll-on/roll-off vessels ... 25% of all U.S.-flag commercial containerships ... and 30% of all vessel capacity enrolled in the Voluntary Intermodal Sealift Agreement (VISA);
- 90% of the ocean-going self-propelled Jones Act vessels are militarily useful;
- Nearly 9 out of 10 U.S. seafaring jobs are on Jones Act vessels.
- Jones Act construction accounts for 75% of all commercial shipbuilding opportunities in the United States.

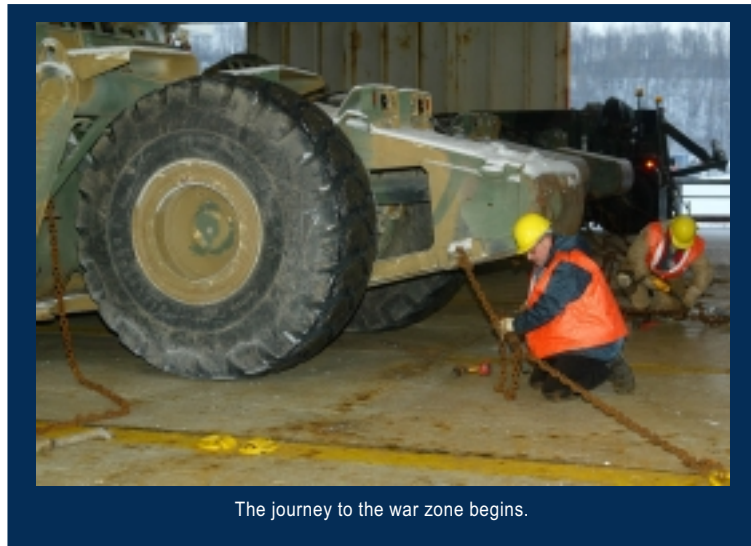
It is little wonder then that the U.S. Navy has said it "depends on the collateral benefits envisioned in the [Jones Act and other cabotage laws] ... These benefits are provided by U.S.-flag vessels and citizens engaged in Domestic Trade."

The Navy League of the United States shares that view. "For economic, national security, and environmental reasons, [we] support the Jones Act and related maritime cabotage laws as critical to America's maritime infrastructure - and therefore to national defense. In short, America's Jones Act fleet is truly 'The Fourth Arm of National Defense.'"



"I have no doubt that as long as America maintains the Jones Act as the foundation of our maritime policy, U.S.-flag vessel operations will meet the needs of waterborne commerce. And it will sustain the maritime infrastructure – the builders, the owners, the mariners – whose labors always have and always will ensure our security. USTRANSCOM, Military Sealift Command, the Surface Deployment and Distribution Command, and MARAD support the maintenance of a viable U.S.-flagged fleet and U.S. mariner pool. We can't do business without either."

Lt. General Gary Hughey, USMC,  
 July 17, 2004



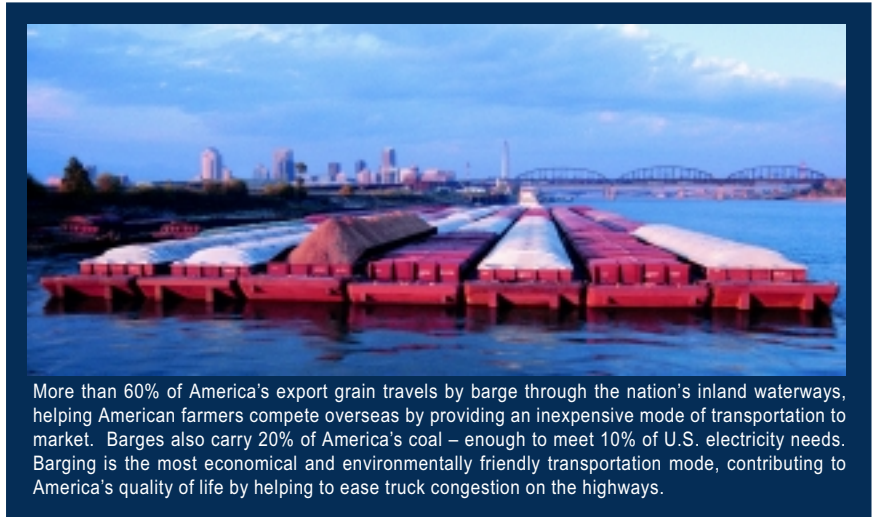
The journey to the war zone begins.

## 2004 - A BUSY YEAR FOR CABOTAGE ISSUES

As 2004 comes to an end, the MCTF reflects on a busy year for a variety of cabotage issues. Several issues under consideration this year could have significantly altered the Jones Act, but the MCTF was able to hold them at bay, ensuring U.S. cabotage laws would continue to be protected.

In August, President Bush signed the Coast Guard Authorization bill, which closes the lease financing loophole by clarifying that foreign firms can finance, but not operate, vessels in the coastwise trade. Even though Congress, in 1996, made clear that the purpose of the statutory change was to help the domestic maritime industry by expanding vessel financing sources, and explicitly stated that it did not intend to undermine the basic ownership principle of U.S. maritime law, a loophole that allowed foreign interests to gain a foothold in the Jones Act trade was found. With the Coast Guard Authorization bill now law, the loophole has been successfully closed.

U.S. cabotage laws were again under attack when the U.S. opened bilateral free trade talks with Panama. When the talks began in April, Panama requested that the U.S. make a variety of maritime-related concessions. Several Members of Congress, along with the MCTF, urged the Bush Administration to make no changes to current maritime laws while negotiating the FTA. The MCTF specifically opposed



More than 60% of America's export grain travels by barge through the nation's inland waterways, helping American farmers compete overseas by providing an inexpensive mode of transportation to market. Barges also carry 20% of America's coal – enough to meet 10% of U.S. electricity needs. Barging is the most economical and environmentally friendly transportation mode, contributing to America's quality of life by helping to ease truck congestion on the highways.

any changes to the cabotage laws. The MCTF's efforts helped to block the maritime provisions to the FTA, thereby ensuring that the Jones Act would stay intact.

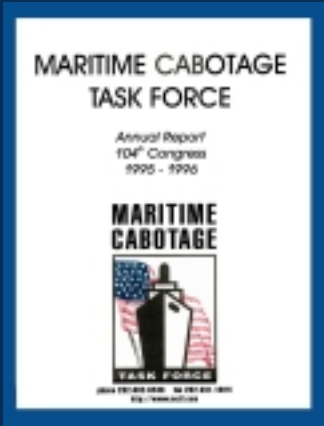
A recodification of Title 46 affecting key portions of the U.S. shipping statutes, including domestic cabotage laws, was under consideration this year. While the legislation was not intended to make substantive changes to the laws, there was a significant policy change. The bill, H.R. 4319, stated that the U.S. have a merchant marine "owned and operated under United States flag by citizens of the United States insofar as practicable," implying that U.S. ownership policy in the Jones Act trades has been liberalized. The House passed the bill by voice vote in September, but the MCTF addressed its concerns in the Senate and managed to hold off a Senate vote, allowing the MCTF to develop a more accurate statement of U.S. maritime policy to be presented to the 109th Congress.

This year, as well as over the past 10 years, MCTF identified and addressed many other issues that also would cause harm to the Jones Act or other U.S. domestic cabotage laws, and continued to take proactive steps to ensure that our cabotage laws remain protected.



The M/V MAUNAWILI is the newest containership in the Jones Act fleet. With Hawaii's economy growing at a pace not seen in years, she and 16 other Jones Act container and trailerships are dedicated to moving goods from West Coast ports to the Aloha state.

# 10 YEARS OF HIGHLIGHTS



The Maritime Cabotage Task Force is the most broad-based coalition the U.S. maritime industry has ever assembled. Its 400-plus members span the United States and represent vessel owners and operators, shipboard and landside labor groups, shipbuilders and repair yards, marine equipment manufacturers and vendors, trade associations, dredging and marine construction contractors, pro-defense groups and companies in other modes of transportation. These diverse but allied interests share a common goal: to promote the long-standing U.S. cabotage laws that require domestic waterborne be conducted in vessels that are U.S.-owned, U.S.-built, and U.S.-crewed. Upon this foundation the United States has built an unsubsidized domestic fleet that is the world leader in efficiency and innovation.

MCTF is dedicated to educating America on the economic, national security, environmental and safety benefits of the Jones Act and other U.S. cabotage laws so that domestic waterborne commerce remains a pillar of our national existence.